Supreme Court, U. S.
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APPENDIX.

IN THE

Supreme Court of the United States

October Term, 1977
No. 77-1016

UNITED CALIFORNIA BANK and LILLIAN DISNEY TRUYENS, Co-Executors of the Estate of WALTER E. DISNEY,

Petitioners,

vs.

UNITED STATES OF AMERICA,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Petition for Certiorari Filed January 17, 1978.
Certiorari Granted March 20, 1978.

APPENDIX

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Civil Docket
United States District Court
[Title of Court and Cause]

Date	Proceedings
12/5/73	Fld Complt. Issd summs. Md JS-5. (eam.)
1-2-74	Fld letter from Mr. Kritzman, Clerk re: receiving letter from firm of Gibson, Dunn & Crutcher & U.S. Attny that they have indicated no obj to continuing case. (mn)
1-11-74	Fld retn of summs. Served. (mn)
2/5/74	Fld Stip and ORDER ext'g time [illegible]ft to ans or otherwise plead to 2/8/74. (jcd)
	Fld Crt's Notc as to no fur extensions or continuance to 4/9/74. (jcd)

Date	Proceedings
4-11-74	Fld deft's ANSWER to complt. (dz)
4/15/74	Fld Crt's Notc of PTC and ORD re un served ptys, set for 6/17/74 at 10:00 A.M. (jcd)
5/8/74	MIN ORD: It is Ord that the Status Conf heretofore set for 5/16/74 is hereby vacated. Mld cpys to cnsl. (jcd)
6/10/74	Fld ltr dtd 6/10/74 in form of ord settg matter on for status conf 6/17/74, 10 a.m. (jcd)
6/28/74	Fld pltfs' stip of facts and question of law (jcd)
7/9/74	Fld deft Supplemental Stip of facts. (jcd)
7/17/74	Fld Stip and ORD cont'g of briefing schedule —pltfs' opening brief from 7/19/74 to be fld on or bef 8/2/74; deft's reply brief from 8/9/74 to be fld on or bef 8/23/74 and pltfs' reply brief from 8/30/74 to be fld on or bef 9/13/74. (jcd)
8-2-74	Fld pltfs Trial memo. (mn)
8-27-74	Fld Stip & ORD ext ti for deft to fl response brief to 9-6-74 & ext ti for pltf to fl reply brief to 9-27-74. (cb)
9-6-74	Fld defts brief in response to pltfs trial memo. (cb)
9-27-74	Fld pltf's reply brief. (cb)
10/25/74	MIN ORD: Ort Ord oral arguments cont to 11/7/74, 3pm. Cnsl notified. (sam)
11/7/74	MIN ORD: C/T. Crt finds Judgmt in favor of pltfs. Pltfs cnsl ord to prepare Judgmt & findings of fact to be lodged with the Crt by 11/15/74 & any opposing response in writing by 11/20/74.

Date	Proceedings
11/22/74	LODGED pltf's proposed finding of facts & conclusions of law (jk)
12/2/74	Fld findings of fact & conclusions of law; Fld Jdgmt that United Calif. Bank & Lillian Disney Truyens Co-Executors of Wstate of Walter Disney hv jdgmt agnst the United States of America in the am of $85,795.20. plus $10.488 for ea day fr Nov. 22 1974 to the date of entry of Jdgmt. w/interest to accrue on the am of jdgmt fr & after the date of entry of jdgmt, at rates & for the periods prescribed by law (JS-6 (12/9/74) mld & ntfd prtys (SEE PAGE 3)
2-6-75	Fld USA NOTICE OF APPEAL of Judgment entered on 12-9-75. w/Proof of Service. (mn)
2/13/75	Fld USA design of record on appeal (jk)
3/4/75	Fld orig and cy of rptr's transcrpt of prcdgs had on 11/7/74 Issd and fwd to C/A orig rec on appeal along with orig and cy of rptr's transcrpt of prcdgs had on 11/7/74.
12/7/77	MIN ORD: The Crt having received a judgment from the C/A reversing this Crt's judgment. It is ORD that the judgment be filed and spread. Filed judgment from C/A reversing this rt's judgment. (ENT 12/9/77). (tm)
1/3/78	LODGED: deft's proposed judgment.
1/10/78	Fld jdgmt & ORD thereon that pltf tk nthng, dsmg complt & that deft revr costs. (Ent 1/11/78) (rlb)
1/13/78	Fld ltr dtd 12/8/77 frm Judge Hill to cnsl re mandate frm C/A. (rlb)

United States Court of Appeals for the Ninth Circuit

Date	Filings-Proceedings

1975

March 17 DOCKETED CAUSE AND ENTERED APPEARANCES OF COUNSEL -acb- (USA)

Mar. 17 FILED CERT TRANSC RECORD ON APPEAL IN TWO VOLUMES: VOL. I, PLEADINGS, ORIG. ONLY, VOL. II, REPORTERS TRANSC., ORIG. & ONE CERT COPY.
Appellant's brief due to be filed on April 29, 1975. -acb-

April 9 FILED TWO ADDITIONAL COPIES OF THE RECORD, VOL. I, PLDGS. -abc-

Apr 28 Filed aplt's motion for ext of time for filing brief. To "C" -ec-

Apr. 30 Filed order (C) extding time to May 29 in which to file applt brief.

May 30 Filed 25 Appellant's briefs 5-29-75 (sj)

July 1 Filed 25 Appellees' briefs (6/30/75) -dmf-

July 21 Filed 25 Aplts Reply Briefs (7/17/75) -dmf-

1977

May 23 Rec'd from aples letter dtd. May 20, 1977, re add'l citations. penal

JUNE 1 ARGUED & SUBMITTED TO (WALLACE, SNEED, KENNEDY, CJJ). ty

Oct 21 As of Oct. 19, ORDERED OPINION *(SNEED)* FILED & JUDG TO BE FILED & ENTD

Oct 21 As of Oct. 19, Filed opinion—We reverse and direct that the taxes for 1967 and 1968

Date	Filings-Proceedings

be computed as the Government insists. The refunds sought are denied. REVERSED.

Oct 21 As of Oct. 19, Filed & Entd Judgment. -fn-

Nov 2 Filed aplt's (USA) Bill of Costs. 10-31 ec

Nov 9 1977 MANDATE ISSUED

Dec. 5 Returned ORIGINAL PLDGS, VOL. 1, and R.T.s, VOL. 2, and 1 copy to CLERK, DIST. CT. cf

1978

JAN 23 Recd SC notice of filing on 1/17/78 petition for certiorari, assigned SC # 77-1016. Th.

Mar 24 Filed cert. SC order of 3/20/78 granting pet. of certiorari. (Copy to panel) Th.

Stipulation of Facts and Question of Law.

United States District Court, for the Central District of California.

UNITED CALIFORNIA BANK and LILLIAN DISNEY TRUYENS, Co-Executors of the Estate of Walter E. Disney, Plaintiffs, vs. UNITED STATES OF AMERICA, Defendant. NO. 73 2828 IH.

FILED: Jun 28, 1974.

Pursuant to their prior agreement in open court, the attorneys for Plaintiffs and Defendant hereby stipulate that the within case shall be tried on the set of facts set forth hereinbelow as "Stipulated Facts" and that the question of law on which the within case is to be decided is as set forth hereinbelow as "Question of Law."

STIPULATED FACTS

1. Walter E. Disney died on December 16, 1966. His Will was admitted to probate in the Superior Court of the State of California for the County of Los Angeles on January 6, 1967. (A copy of said Will of Walter E. Disney is attached hereto as Exhibit A.) Plaintiffs were appointed as Co-Executors of the Estate.

2. By his Will Walter E. Disney left 45 percent of the residue of the Estate to the Disney Foundation ("Foundation"), in trust for the Foundation and for the California Institute of the Arts ("Institute"). At all times relevant hereto, both the Foundation and the Institute, and the said trust created by the Will under which the Foundation is Trustee, have been charitable organizations organized and operated exclusively for charitable, scientific, and/or educational purposes within the meaning of Section 501(c)(3) and Section 170(c)(2) of the Internal Revenue Code of 1954 ("Internal Revenue Code"). Such organizations

are exempt from Federal income tax under Section 501 of the Internal Revenue Code and contributions to such organizations are deductible under Section 170 of the Internal Revenue Code.

3. Pursuant to the terms of the Will of Walter E. Disney, throughout the years 1967 and 1968 the Plaintiffs, as Co-Executors of the Estate, set aside 45 percent of the residue of the Estate for the benefit of the Foundation as Trustee for the Foundation and the Institute.

4. During each of the years 1967 and 1968, Plaintiffs, as Co-Executors of the Estate and pursuant to orders issued by the Superior Court of the County of Los Angeles, sold certain securities included in the residue of the Estate, on which sales a net long term capital gain in the amount of $500,622.38 was realized in 1967 and a net long term capital gain in the amount of $1,058,018.43 was realized in 1968. No net short term capital losses were incurred by the Estate during such years. In 1967 the Estate realized a net short term capital gain of $16,944.16.

5. Pursuant to the terms of the Will of Walter E. Disney, Plaintiffs as Co-Executors of the Estate set aside 45 percent of the aforesaid net long term capital gains, as a part of the residue of the Estate, to the Foundation, as Trustee for the Foundation and for the Institute.

6. In the Fiduciary Income Tax Returns for the Estate for the years 1967 and 1968, Plaintiffs computed the Estate's income tax by using the alternative tax permitted by Section 1201 of the Internal Revenue Code. (Copies of said Fiduciary Income Tax Returns for the Estate for the years 1967, as amended, and 1968 are attached hereto as Exhibits B and C, respectively.)

7. In computing the aforesaid alternative tax for each of the years 1967 and 1968, Plaintiffs excluded from the amount to which said tax was applicable the 45 percent of net long term capital gains required by the Will, as a part of the residue of the Estate, to be permanently set aside to the Foundation, as Trustee.

8. Defendant, through its agent, the District Director of Internal Revenue, Los Angeles, California, disallowed the exclusion of the amounts of net long term capital gain permanently set aside, as a part of the residue of the Estate, to the Foundation, as Trustee, from the amounts to which the alternative tax was applied. Defendant, through its agent, the District Director of Internal Revenue, Los Angeles, California, allowed Plaintiffs to deduct said amounts of net long term capital gain permanently set aside, as a part of the residue, to the Foundation, as Trustee, in the computation of taxable income under Section 642(c) of the Internal Revenue Code. Said amounts so allowed were $144,738.96 in 1967 and $352,335.01 in 1968. As a result, the Estate incurred additional Federal income taxes of $4,998.93 for the year 1967 and $27,445.05 for the year 1968, plus interest of $1,099.76 and $4,386.41 for the respective years.

9. The aforesaid taxes and interest assessed with respect to the year 1967 were paid to Defendant on March 7, 1972, and the aforesaid taxes and interest assessed with respect to the year 1968 were paid to Defendant on March 21, 1972.

10. With respect to the aforesaid taxes and interest, paid on March 7, 1972 and March 21, 1972, Plaintiffs filed claims for refund, both dated January 2, 1973, by duly and timely mailing said claims for refund to: District Director of Internal Revenue, Federal Building, Los Angeles, California 90012.

11. Defendant has not refunded any part of the amounts claimed by Plaintiffs, but rather has disallowed the claims by letters of July 31, 1973 and January 16, 1974.

QUESTION OF LAW

May the Plaintiffs, as Co-Executors of the Estate of Walter E. Disney, in computing the alternative tax allowed by Section 1201(b) of the Internal Revenue Code on net long term capital gains realized on sales made by the Estate, exclude from such net long term capital gains the 45 percent thereof which, pursuant to the Will, as a part of the residue of the Estate, was required to be permanently set aside for the use and benefit of a charitable trust for a purpose specified in Section 170(c) of the Internal Revenue Code?

DATED: June 28, 1974.

GIBSON, DUNN & CRUTCHER
RONALD E. GOTHER
MARC R. ISAACSON
By /s/ Marc R. Isaacson
Marc R. Isaacson
Attorneys for Plaintiffs

DATED: June 28, 1974.

WILLIAM D. KELLER
United States Attorney
CHARLES H. MAGNUSON
Assistant United States Attorney
Chief Tax Division
MASON C. LEWIS
Assistant United States Attorney
By /s/Mason C. Lewis
Attorneys for the United States of America

EXHIBIT A.

Last Will and Testament of Walter E. Disney

I, WALTER E. DISNEY, a resident of Los Angeles County, California, declare this to be my Last Will and revoke all former Wills and Codicils.

FIRST: I declare that I am married to LILLIAN B. DISNEY and that I have only two children, namely, DIANE DISNEY MILLER and SHARON DISNEY BROWN.

SECOND: It is my intention to dispose by this Will of my one-half (½) of the community property of my wife and myself and of all my separate property, if any. I do not undertake to dispose of my wife's one-half (½) of our community property.

THIRD: In the event that there shall be included in my estate any interest in any residential real properties (*i.e.*, properties occupied by my wife and myself as our residence at the date of my death or as one of several of our residences) I hereby grant to my wife, LILLIAN B. DISNEY, if she survives me, an option to purchase any one or more of such residential real properties. The purchase price for the residential real property purchased shall be its appraised value as shown in the Inventory and Appraisement for my estate, less the amount of any encumbrance on such residential real property. If my wife exercises this option to purchase she shall take such residential real property subject to any encumbrance existing against it at the date of my death and my estate shall not pay any such encumbrance. The purchase price for the residential real property purchased by my wife pursuant to

the exercise of this option may be payable by her either in cash or in stock of Walt Disney Productions (or any successor corporation) at her option. In the event that my wife elects to pay for such residential real property in stock, the value of such stock for such purpose shall be the closing price for the stock on the New York Stock Exchange on the day preceding the day on which my wife obtains title to my interest in such residence pursuant to the provisions of this Article. The option granted hereunder must be exercised by my wife within six months of the date of my death. Any residential real property which is not purchased by my wife pursuant to the provisions of this Article shall augment the residue of my estate provided for under the terms of Article SIXTH below. In the event that any such residential real property is so purchased, the proceeds from the sale shall also augment the residue of my estate and be disposed of as provided in Article SIXTH below.

FOURTH: I give and bequeath to my wife, LILLIAN B. DISNEY, if she survives me by sixty (60) days, all of my tangible personal property and personal effects, including without limitation, all my household furniture, furishings, silverware, books, paintings, works of art, automobiles, clothing, jewelry, miniatures, awards and all other similar items including all policies of insurance on such property. In the event that my wife does not so survive me I give and bequeath all of the property disposed of by this Article FOURTH in equal shares to my children if they both so survive me, or all to the survivor if only one of my children survive me. In the event that my wife and my children do not so survive me, the gift provided for in this

Article FOURTH shall lapse and the properties disposed of under this Article FOURTH shall augment the residue of my estate.

FIFTH: I give, devise and bequeath the rest and residue of my property, real and personal, wherever located, including all failed and lapsed gifts, as follows:

1. Forty-five percent (45%) of such residue shall be distributed to LILLIAN B. DISNEY, HERBERT F. STURDY and UNITED CALIFORNIA BANK as Trustees, IN TRUST. Such Trust shall be known as the Disney Family Trust and shall be held and distributed as provided for in Article SIXTH below.

2. Forty-five percent (45%) of such residue shall be distributed to Disney Foundation as Trustee, IN TRUST. Such Trust shall be known as the Charitable Trust and shall be held and distributed as provided for in Article SEVENTH below. If all or any portion of the gift provided for in this Paragraph 2 shall be invalid by reason of Probate Code Section 41, or any other provision of law limiting, restricting or invalidating gifts to charity, such bequest shall be carried out to the extent permitted by law and to the extent not so permitted shall go instead to the University of California.

3. Two and one-half percent (2½%) thereof shall be distributed to LILLIAN B. DISNEY, HERBERT F. STURDY and UNITED CALIFORNIA BANK as Trustees, IN TRUST, for the benefit of MARJORIE DAVIS (hereby designated a life income beneficiary) and NANETTE DAVIS, GEOFFREY DAVIS and MELINDA

DAVIS (hereby designated as remaindermen) to be held and distributed as a Residuary Trust as provided for in Article EIGHTH below.

4. Two and one-half percent 2½%) thereof shall be distributed to LILLIAN B. DISNEY, HERBERT F. STURDY and UNITED CALIFORNIA BANK as Trustees, IN TRUST, for the benefit of DOROTHY DISNEY PUDER (hereby designated a life income beneficiary) and LINDA PUDER, DAVID PUDER and PAUL PUDER (hereby designated as remaindermen), to be held and distributed as a Residuary Trust as provided for in Article EIGHTH below.

5. Two and one-half percent (2½%) thereof shall be distributed to LILLIAN B. DISNEY, HERBERT F. STURDY and UNITED CALIFORNIA BANK as Trustees, IN TRUST, for the benefit of RUTH FLORA BEECHER (hereby designated a life income beneficiary) and THEODORE BEECHER (hereby designated a remainderman) to be held and distributed as a Residuary Trust as provided for in Article EIGHTH below.

6. Two and one-half percent (2½%) thereof shall be distributed to LILLIAN B. DISNEY, HERBERT F. STURDY and UNITED CALIFORNIA BANK, as Trustees, IN TRUST, for the benefit of PHYLLIS BOUNDS (hereby designated a life income beneficiary) and ALEXANDRA DETIEGE, VICTORIA DETIEGE and CLANCY DETIEGE (hereby designated as remaindermen) to be held and distributed as a Residuary Trust as provided for in Article EIGHTH below.

SIXTH: DISNEY FAMILY TRUST:

1. In the event that my wife, LILLIAN B. DISNEY, shall survive me, the Trustees may pay to her or apply for her benefit so much of the net income and principal of the trust estate as the Trustees (other than LILLIAN B. DISNEY who shall not participate in the exercise of this discretion) deem necessary or proper for her health, support and maintenance. In the exercise of such discretion the Trustees shall take into consideration other income available to her for such purposes and held free of this trust. Any income which is not so applied or paid to LILLIAN B. DISNEY may be paid to or applied for the benefit of a group of persons consisting solely of my daughters, my grandchildren and any other issue of mine who are living at the time of my death, or who may be born afterwards, in such proportions and amounts as the Trustees, in their sole discretion, deem to be necessary or appropriate. The balance of the income which is not paid to or applied for the benefit of LILLIAN B. DISNEY or such group of persons shall be accumulated by the Trustees and added to the principal of the trust estate.

2. Upon the death of LILLIAN B. DISNEY (or upon my death in the event that she shall fail to survive me), the Trustees shall divide the trust estate into two equal shares. One-half (½) of the income from each share of the trust shall be paid to or applied for the benefit of each daughter of mine, in monthly or other convenient instalments, but no less often than quarterly, throughout their lifetimes. The other one-half (½) of the income from such share of the trust estate may be paid to or applied for the benefit of

a group of persons consisting solely of the daughter receiving the one-half (½) of the income of such share, my grandchildren and any other issue of mine who are living at the date of my death, or who may be born afterwards, in such proportion and amounts as the Trustees, in their sole discretion, determine to be necessary or appropriate. In making the payments from such other one-half (½) of this income the Trustees may pay more to or apply more for the benefit of one or more persons included in such group than the others, and distributions may be made to one or more persons included in such group and not to the others, if the Trustees deem such to be necessary or appropriate. The balance of such other one-half (½) of the income from a share which is not paid to or applied for the benefit of such group of persons shall be accumulated by the Trustees and added to the principal of such share of the trust estate. Upon the death of a daughter of mine the one-half (½) of the income of a share required to be distributed to such daughter during her lifetime under the provisions of this Paragraph 2 shall augment the other one-half (½) of the income with respect to such share distributable among such group of persons under the provisions of this Paragraph 2.

3. Upon the death of the last to survive of myself, LILLIAN B. DISNEY, DIANE DISNEY MILLER and SHARON DISNEY BROWN, the entire principal and accrued and undistributed income of the trust estate shall be divided into equal shares, one (1) share for each grandchild of mine who is then living and one (1) share for the then living issue, taken collectively, of each grandchild of mine who may then be deceased. The share set aside for each grandchild

of mine who has then attained age thirty (30) shall be distributed outright to such grandchild. The share set aside for each grandchild who has not then attained age thirty (30) shall continue to be held in trust, subject to the provisions of Paragraph 4 of this Article SIXTH. The share set aside for the issue of a deceased grandchild of mine shall be distributed outright to such issue upon the principle of representation, subject however, to the provisions of Paragraph 5 of this Article SIXTH.

4. In the event that under the provisions of the preceding paragraph a share shall continue to be held in trust for a grandchild of mine, the Trustees shall pay to or apply for the benefit of such grandchild all of the net income of such share in monthly or other convenient instalments, but no less often than quarterly, provided, however, that until such time as such grandchild attains age twenty-one (21) the Trustees shall only pay to or apply for the benefit of such grandchild so much of the net income of such share as the Trustees deem necessary or proper to provide for the grandchild's health, education, support and maintenance, and the balance of such income shall be accumulated and added to the principal of such share. At such time as a grandchild for whom a share is held in trust under the provisions of this Paragraph 4 attains age thirty (30) the Trustees shall distribute outright to the grandchild the entire remaining balance of such share. Should any grandchild for whom a share is held in trust under the provisions of this Paragraph 4 die prior to obtaining full distribution of such share, the Trustees shall distribute outright the then remaining balance of such grandchild's share of the lawful issue of such grandchild living at

the date of the grandchild's death, upon the principle of representation, subject however, to the provisions of Paragraph 5 of this Article SIXTH, and should no such issue be then living such remaining balance shall go to augment equally the shares then held for the benefit of, and those previously distributed to, my other grandchildren, excluding each grandchild theretofore deceased leaving no issue living at the time of such augmentation, but including, upon the principle of representation, the then living lawful issue of any deceased grandchild of mine.

5. In the event that under the foregoing provisions a portion of the trust estate becomes distributable to the issue of any deceased grandchild of mine and any such issue has not then attained age twenty-one (21), the Trustees shall hold, administer, invest and reinvest such issue's part of the trust estate for his or her benefit and shall apply so much of the net income and such portion of the principal thereof as the Trustees, in their discretion shall deem necessary for such issue's health, education, support and maintenance, or in the discretion of the Trustees, shall make such payments to the legal guardian of such issue or to the person with whom such issue may reside or directly to such issue, or otherwise, as the Trustees may from time to time deem advisable, and shall accumulate for the benefit of such issue any income not so applied or paid. When an issue for whom a portion shall have been retained under this provision attains age twenty-one (21), any of such portion then held for the benefit of such issue shall be distributed outright to the issue, and in the case of such issue's death prior thereto, shall forthwith be distributed to the issue's estate.

6. If the payment of income from this trust to which any child or grandchild of mine is entitled, should be insufficient, in the discretion of the Trustees, to provide for the health, education, support and maintenance of such child or grandchild, the Trustees may pay to or apply for the benefit of such child or grandchild so much of the principal of the trust estate as the Trustees may deem proper or necessary for such purposes; provided, however, that from and after the time that the trust estate is divided into separate shares for each grandchild of mine, payments of such principal for the benefit of a grandchild shall only be made from the principal of the share set aside for the grandchild, shall not exceed the principal of the share set aside for the grandchild and shall be deducted from it. In the exercise of discretion hereunder the Trustees shall take into consideration other income available to such child or grandchild for these purposes and held free of this trust.

7. In the event that under the foregoing provisions a portion of the trust estate shall be undisposed of, such undisposed of portion shall be distributed outright to my heirs. As used herein the word "heirs" shall mean those persons, other than creditors, who would take my separate personal property under the laws of the State of California if I had died on the date stipulated for distribution and domiciled in such State.

SEVENTH: CHARITABLE TRUST:

1. The Trustee shall divide the trust estate into two shares as follows: One share equal to five percent (5%) thereof shall be set aside for DISNEY FOUNDATION, and one share equal to ninety-five percent (95%) thereof shall be set aside for CALIFORNIA

INSTITUTE OF THE ARTS. Notwithstanding such division into shares, each share shall not constitute a separate trust, but rather, the entire trust estate provided for under this Article SEVENTH shall be held as one trust for the benefit of both organizations.

2. The entire net income from the share of the trust estate set aside for each such organization shall be distributed to the organization for which such share was set aside, in convenient instalments but no less often than annually.

3. In the event the Trustee shall determine that either of the above mentioned organizations shall be in further need of funds in order to carry out the purposes for which such organizations were formed, the Trustee may distribute to such organization so much of the principal of the share of the trust estate set aside for the benefit of such organization, up to the whole thereof, as the Trustee, in its sole and absolute discretion shall deem necessary or proper for such purposes. Distributions of principal of the trust estate may be made to one organization and not to the other, in the sole and absolute discretion of the Trustee. Any payment of principal, however, shall not exceed the principal of the share of the trust estate set aside for such organization and, in order that such organization will thereafter receive only that part of income of the trust estate which is proportionate to the undistributed share of such organization in such trust estate, such principal distribution shall be deducted from the share set aside for such organization. For example, if two percent (2%) of the principal of the entire trust estate were distributed to Disney Foundation, thereafter the share of the total income of the trust estate to be distributed to Disney Foundation would

be three percent (3%). Likewise, if two percent (2%) of the principal of the entire trust estate were thereafter distributed to California Institute of the Arts, thereafter the share of the total income of the trust estate to be distributed to California Institute of the Arts, would be ninety-three percent (93%).

4. In the event that the principal of the trust estate consists of shares of stock of Walt Disney Productions, or any other securities of such corporation or any other corporation, and the Trustee has decided to make a distribution of principal in accordance with the provisions of the preceding paragraph, the Trustee, in its sole and absolute discretion, may accomplish such principal distribution in any one or more of the following ways, either alone or in combination:

(a) Distribute the securities

(b) Sell the securities (which would otherwise have been distributed) to one or more third parties and distribute the net proceeds, or

(c) Purchase such securities in its individual capacity (at the closing price for such securities on the New York Stock Exchange on the date of purchase) and distribute the proceeds.

5. If the entire principal of the share of the trust estate set aside for California Institute of the Arts is distributed to it under the provisions of the foregoing paragraphs, the Trustee may terminate the trust and distribute outright to Disney Foundation the entire remaining balance of the trust estate. However, if the entire principal of the share of the trust estate set aside for Disney Foundation is distributed outright to it, the trust shall not terminate, but rather, the entire remaining balance of the trust estate shall then continue

to be held in trust solely for the benefit of California Institute of the Arts, subject to all of the terms and conditions of this Article SEVENTH.

EIGHTH: RESIDUARY TRUST:

1. The entire net income of each of the four Residuary Trusts created under the provisions of Paragraphs 3 through 6 of the Article FIFTH above shall be paid to or applied for the benefit of the person designated as a life income beneficiary in monthly or other convenient instalments, but no less often than quarterly, during the entire lifetime of such life income beneficiary.

2. Upon the death of such life income beneficiary (or upon my death in the event that such life income beneficiary does not survive me) the Trustee shall divide the particular Residuary Trust into equal shares as follows: One share for each then living person designated as a remainderman of such Residuary Trust and one share for the then living issue of each such remainderman who may then be deceased. The share set aside for each remainderman who has then attained age thirty (30) shall be distributed outright to him or her. The share set aside for each remainderman who has not then attained age thirty (30) shall continue to be held in trust, subject to the provisions of Paragraph 3 of this Article EIGHTH below. The share set aside for the issue of a deceased remainderman shall be distributed outright to such issue upon the principle of representation, subject however, to the provision of Paragraph 4 of this Article EIGHTH below.

3. In the event that under the provisions of the preceding paragraph a share of a Residuary Trust shall continue to be held in trust for a remainderman,

the Trustees shall pay to or apply for the benefit of such remainderman all of the net income of such share in monthly or other convenient instalments but no less often than quarterly; provided, however, that until such time as a remainderman attains age twenty-one (21) the Trustees shall only pay to or apply for the benefit of such remainderman so much of the net income of such share as the Trustees deem necessary or proper to provide for the remainderman's health, education, support and maintenance and the balance of such income shall be accumulated and added to the principal of such share. At such time as a remainderman for whom a share is held in trust under the provisions of this Paragraph 3 attains age thirty (30), the Trustees shall distribute outright to the remainderman the entire remaining balance of such share. Should any remainderman for whom a share is held in trust under the provisions of this Paragraph 3 die prior to obtaining full distribution of such share, the Trustees shall distribute outright the then remaining balance of such remainderman's share to the lawful issue of such remainderman living at the date of the remainderman's death, upon the principle of representation, subject however, to the provisions of Paragraph 4 of this Article EIGHTH below, and should no such issue be then living such remaining balance shall go to augment equally the shares then held for the benefit of, and those previously distributed to, the other remaindermen of the particular Residuary Trust, excluding each remainderman theretofore deceased leaving no issue living at the time of such augmentation, but including upon the principle of representation the then living lawful issue of any deceased remainderman of such particular Residuary Trust.

4. In the event that under the foregoing provisions a portion of a Residuary Trust becomes distributable to the issue of any deceased remainderman and any such issue has not then attained age twenty-one (21) the Trustees shall hold, administer, invest and reinvest such issue's part of the Residuary Trust for his or her benefit, and shall apply so much of the net income and such portion of the principal thereof as the Trustees in their discretion shall deem necessary for such issue's health, education, support and maintenance, or in the discretion of the Trustees, shall make such payments to the legal guardian of such issue or to the person with whom such issue may reside or directly to such issue, or otherwise, as the Trustees may from time to time deem advisable, and shall accumulate for the benefit of such issue any income not so applied or paid. When an issue for whom a portion shall have been retained in trust under this provision attains age twenty-one (21), any of such portion then held for the benefit of such issue shall be distributed outright to the issue, and in the case of such issue's death prior thereto, shall forthwith be distributed to the issue's estate.

5. If the payments of income from a Residuary Trust to which any life income beneficiary or remainderman is entitled should be insufficient, in the discretion of the Trustees to provide for the health, education, support and maintenance of such life income beneficiary or remainderman, the Trustees may pay to or apply for the benefit of such life income beneficiary or remainderman so much of the principal of the Residuary Trust as the Trustees may deem proper or necessary for such purposes; provided however, that from and after the time that a Residuary Trust is divided into

separate shares for the remainderman, payments of such principal for the benefit of a remainderman shall only be made from the principal of the share set aside for the remainderman, shall not exceed the principal of the share set aside for the remainderman and shall be deducted from it. In the exercise of discretion hereunder the Trustees shall take into consideration other income available to a life income beneficiary or remainderman for these purposes and held free of a Residuary Trust.

6. In the event that under the foregoing provisions a portion of a Residuary Trust shall be undisposed of, such undisposed of portion shall augment the principal of the Disney Family Trust provided for under the terms of Article SIXTH above and shall be held, administered and distributed as provided therein.

NINTH: POWERS OF TRUSTEES:

To carry out the purposes of the trusts created hereunder and subject to any limitations set forth elsewhere in this instrument the Trustees are vested with the following powers, in addition to any now or hereafter conferred by law:

1. To continue to hold any property, including stock of a Trustee corporation, and to operate at the risk of the Trust Estate and not at the risk of the Trustees, any property or business received in this Trust, including specifically any shares of stock of Walt Disney Productions, Inc. and Retlaw Enterprises, Inc. (or any successor of such corporations), as long as the Trustees may deem advisable, the profits and losses therefrom to inure to or be chargeable to the Trust Estate as a whole and not to the Trustees. The

Trustees shall not be required to sell any of such assets merely for the sake of diversifying trust investments, or for the sake of obtaining funds to purchase assets that produce more income.

2. To manage, control, sell, convey, exchange, partition, divide, subdivide, improve, repair; to grant options and to sell upon deferred payments, to lease for terms within or extending beyond the duration of the Trust for any purpose, including exploration for and removal of gas, oil and other minerals; to compromise, arbitrate or otherwise adjust claims in favor of or against the Trust; to create restrictions, easements and other servitudes; to carry such insurance as the Trustees may deem advisable.

3. To invest and reinvest the principal, and income if accumulated, and to purchase or acquire therewith every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, corporate obligations of every kind and stocks, preferred or common; to invest in any common trust fund now or hereafter established by a corporate Trustee.

4. To advance funds to said Trust for any trust purpose, such advances with interest at current rate to be a first lien on and to be repaid out of principal or income; to reimburse Trustees from principal or income for any loss or expense incurred by reason of Trustees' ownership or holding of any property in this Trust.

5. To borrow money for any trust purpose upon such terms and conditions as the Trustees

may deem proper, and to obligate the Trust Estate for repayment; to encumber the Trust Estate or any of its property by mortgage, deed of trust, pledge or otherwise, using such procedure to consummate the transaction as the Trustees may deem advisable.

6. To have respecting securities all the rights, powers and privileges of an owner, including, without limiting the foregoing, the power to give proxies, pay calls, assessments and other sums deemed by the Trustees necessary for the protection of the Trust Estate; to participate in voting trusts, pooling agreements, foreclosures, reorganizations, consolidations, mergers and liquidations, and in connection therewith to deposit securities with and transfer title to any protective or other committee under such terms as the Trustees may deem advisable; to exercise or sell stock subscription or conversion rights; to accept and retain as an investment hereunder any securities received through the exercise of any of the foregoing powers.

7. Upon any division or partial or final distribution of the Trust Estate, to partition, allot and distribute the Trust Estate in undivided interests or in kind or partly in money and partly in kind, at such valuation and according to such method or procedure as the Trustees may determine, and to sell such property as the Trustees may deem necessary to make such division or distribution.

8. To budget the estimated annual income and expenses of the Trust in such manner as to equalize, as far as practicable, periodical income payments to beneficiaries.

9. In the determination of what is income or principal of the Trust Estate the Trustees shall be governed by the provisions of the California Principal and Income Act from time to time existing; provided however, that any stock dividends of five percent (5%) or less paid by Walt Disney Productions (or any successor corporation) shall be considered income rather than principal.

10. The enumeration of certain powers of the Trustees shall not limit their general or implied powers, and the Trustees, subject always to the discharge of their fiduciary obligations, are vested with and shall have all the rights, powers and privileges which an absolute owner of the same property would have; provided however, that none of the foregoing powers shall be construed to allow the Trustees to transfer trust property to any person other than the designated Trust beneficiaries without receiving fair and adequate consideration.

11. In the event that there shall be included as an asset of the trust estate one or more parcels of residential real property (or a fractional interest therein) the Trustees are authorized to hold such properties as an asset of the trust estate so long as my wife, Lillian B. Disney, is living and shall desire to occupy such residential real property. If my wife does occupy such residence or residences she shall be able to do so without payment of rent and shall generally manage, care for and protect it, but the Trustees may pay a proportionate amount of any taxes, assessments, liens and insurance on such properties and a similar proportion of the expenses and repair and replacements to any buildings thereon. The Trustees shall

have no other responsibilities as to such properties while they are being occupied by my wife but the Trustees may carry insurance for the protection of the trust estate at the expense of the trust estate. At such time as my wife no longer desires to occupy such residence, or upon her death, the Trustees shall sell the residences and the proceeds shall become part of the trust estate.

TENTH: GENERAL PROVISIONS.

Subject to any limitations stated elsewhere in this instrument the following additional provisions shall apply to all trusts and trust estates created hereunder:

1. Each and every beneficiary shall be without right, power or authority to sell, assign, pledge, mortgage or in any other manner to encumber, alienate, or impair his or her beneficial or legal interest in the Trust, or any part thereof, or in the principal or income thereof, and the beneficial and legal interest in and the principal and the income of the Trust and every part thereof shall be free from the interference or control of creditors of each and every beneficiary of the Trust and shall not be subject to the claims of any creditor of any beneficiary, nor liable to attachment, execution, bankruptcy or any other process of law, and the income and principal of the Trust shall be paid over to the beneficiary in person, or in the event of minority or incompetency of the beneficiary, then to the duly appointed guardian of the beneficiary, or to or for the benefit of the beneficiary in such manner as in the Trustees' discretion seems most advisable, at the time and in the manner herein provided and not upon any written or verbal order nor upon any assignment

or transfer thereof by the beneficiary or by operation of law.

2. Whenever the Trust Estate hereunder is divided into separate shares, each such share shall constitute a separate and distinct trust, but the Trustees shall not be required to make physical segregation of the trust assets and may hold property in undivided interests in each of such trusts. The Trustees may, however, make physical segregation if that seems necessary or advisable in their discretion.

3. Income accrued or unpaid on trust property when received into the Trust shall be treated as any other income.

4. Upon the death of any beneficiary, any accrued or undistributed income which would have been payable to such beneficiary had such beneficiary continued to live, shall be paid to the person or persons who may be entitled to the payment of income on the day on which income next is payable or who may be entitled to the transfer of principal upon such beneficiary's death.

5. The Trustees may make payments to any beneficiary under disability by making them to the guardian of the person of the beneficiary, or directly to the beneficiary, or may apply them for the beneficiary's benefit. In the case of a minor, payments may also be made to either parent, or may be made directly to any minor who, in the judgment of the Trustees, is sufficiently mature to judiciously use the same.

6. The terms "child," "grandchildren," "issue," and "heirs" whenever used in this instrument shall include legally adopted children.

7. Any Trustee shall have the right to resign the trusteeship at any time. Upon resignation or inability to act of any Trustee, a successor Trustee shall be appointed in the manner provided herein with respect to successor Trustees. No bond shall be required of any Trustee named herein nor of any successor Trustee who may be appointed hereunder.

8. Until the Trustees shall receive written notice of any birth, marriage, death or other event upon which the right to payments from this Trust may depend, the Trustees shall incur no liability to persons whose interests may have been affected by that event for disbursements made in good faith.

9. The Trustees shall be fully protected in any action or nonaction taken, permitted or suffered in good faith and in accordance with the opinion of their counsel, and in case of legal proceedings involving the Trustees or the principal or income of the trust estates, the Trustees may defend such proceedings, or may, upon being advised by counsel that such action is necessary or advisable for the protection of the interests of the Trustees or of the beneficiaries, institute any legal proceedings.

10. Anything to the contrary notwithstanding, no trust created hereunder (except the Charitable Trust provided for in Article SEVENTH above which shall continue indefinitely as provided for therein) shall continue for a period longer than twenty-one (21) years after the death of the last to die of all of the beneficiaries thereof living at the date of my death, and any trust which does not otherwise terminate prior to that date

shall terminate on that date and thereupon the Trustees shall distribute and deliver free and clear of any trust the then remaining balance of principal and undistributed net income to the persons who are at that time entitled to income from each trust or portion of a trust on such termination date, and in the same proportions as they are entitled to receive the income at such time.

ELEVENTH: SUCCESSOR TRUSTEES:

In the event of the death, resignation or incapacity of LILLIAN B. DISNEY, she shall be succeeded as a Co-Trustee by DIANE DISNEY MILLER, and in the event of the death, resignation or incapacity of DIANE DISNEY MILLER, she shall be succeeded as a Co-Trustee by SHARON DISNEY BROWN and in the event of the death, resignation or incapacity of SHARON DISNEY BROWN, a successor Co-Trustee shall be appointed by the remaining two Co-Trustees. In the event of the death, resignation or incapacity of HERBERT F. STURDY, a successor Co-Trustee shall be appointed by the remaining two Co-Trustees; provided however, that such Co-Trustees shall give consideration to appointing another partner in the law firm of Gibson, Dunn & Crutcher to serve as such successor Co-Trustee. All rights, powers, duties and discretions herein conferred upon the original Trustees shall vest in all successor Trustees.

TWELFTH: Except as I may otherwise expressly provide in writing in connection with any transfer made prior to my death, I direct that all estate, inheritance and succession taxes imposed by the Federal Government or by any country, state, district or territory, and occasioned or payable by reason of my death,

whether or not attributable to property subject to probate administration, shall be chargeable to and paid out of the residue of my estate provided for under the terms of Article FIFTH above without apportionment, deduction or reimbursement therefor, and without adjustment thereof among the residuary beneficiaries.

THIRTEENTH: Except as otherwise provided in this Will, I have intentionally and with full knowledge omitted to provide for my heirs, including any persons who may claim to be an issue of mine.

FOURTEENTH: If any devisee, legatee or beneficiary under this Will or any legal heir of mine, or person claiming under any of them, shall contest this Will or attach or seek to impair or invalidate this Will, or any part or provision hereof, or conspire with or voluntarily assist anyone attempting to do any of those things, in that event I specifically disinherit each such person and all legacies, bequests, devises and interests given under this Will to that person shall be forfeited and shall augment proportionately the shares of my estate going under this Will to or in trust for such of my devisees, legatees and beneficiaries as shall not have participated in such acts or proceedings. If all my devisees, legatees and beneficiaries shall participate in such proceedings, I give, devise and bequeath the whole of my estate to my heirs-at-law excluding all of the aforesaid persons as if they had predeceased me.

FIFTEENTH: I nominate and appoint my wife, LILLIAN B. DISNEY, HERBERT F. STURDY and UNITED CALIFORNIA BANK, as Co-Executors of this Will. In the event that either my wife or HERBERT F. STURDY shall be unable to act as such or shall fail to complete the administration of my

estate, then the other shall serve as Co-Executor along with UNITED CALIFORNIA BANK and in the event that both my wife and HERBERT F. STURDY are unable to act as such or shall fail to complete the administration of my estate then UNITED CALIFORNIA BANK shall be the sole Executor. No bond shall be required of any individual while acting as a Co-Executor hereunder. Such Co-Executors shall have full power and authority to lease, sell, exchange or encumber the whole or any part of my estate, without notice, but subject to such confirmation as may be required by law and may continue to hold, manage and operate any property, and, subject to court approval, any business belonging to my estate. I further authorize and empower my Co-Executors, upon any division of my estate, or upon any partial or final distribution of my estate, to partition, allot and distribute my estate in undivided interests or in kind or partly in money and partly in kind according to such method or procedure as my Co-Executors shall determine; provided however, that in making an allocation of assets to the various trust created under the provisions of Article FIFTH above, any shares of stock of Retlaw Enterprises, Inc., or any successor corporation, or any interest in residential real properties which are included in the residue of my estate shall only be allocated to the Disney Family Trust provided for thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of March 1966.

/s/ Walter E. Disney
WALTER E. DISNEY

The foregoing instrument consisting of fifteen (15) pages, including the page upon which this attestation is completed, was at the date thereof by the said WALTER E. DISNEY signed and sealed and published as and declared by him to be his Last Will and Testament in the presence of us, who, at his request and in his presence and in the presence of each other, have subscribed our names as witnesses thereto.

/s/ Royal Clark Residing at Yorba Linda

/s/ Ronald E. Gother Residing at San Gabriel, Calif.

/s/ William H. Cottrell Residing at North Hollywood, Calif.

EXHIBIT B.

INTENTIONALLY BLANK

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"AMENDED RETURN"

FORM 1041 — U.S. Fiduciary Income Tax Return

U.S. Treasury Department
Internal Revenue Service

(FOR ESTATES AND TRUSTS) FOR CALENDAR YEAR 1967

or other taxable year beginning 1967,
and ending ..... 19.....

PLEASE TYPE OR PRINT

1967

Check whether:
- [X] Estate
- [ ] Simple trust
- [ ] Complex trust

If trust, check whether:
- [ ] Testamentary
- [ ] Inter vivos

Name of estate or trust: Walter E. Disney
Employer Identification Number: 95-6145544

Name and title of fiduciary: United California Bank - Co-Executor

Address of fiduciary (number and street): 600 South Spring Street

City, State, and ZIP code: Los Angeles, California 90054

Simple trusts are not required to fill in Schedules E, F, and G. They need complete only the lines and schedules that apply to them. See page 2 of instructions.

INCOME	1 Dividends (enter full amount before exclusion)	57,360.50	
	2 Interest on bank deposits, notes, corporation bonds, etc	19,120.28	
	3 Interest on tax-free covenant bonds upon which a Federal income tax was paid at source		
	4 Interest on Government obligations	486.67	
	5 Income from partnerships and other fiduciaries (instruction 5)		
	6 Gross rents and royalties	4.50	
	7 Gross profit (or loss) from trade or business		
	8 (a) Net gain (or loss) from sale or exchange of capital assets (from line 11, Schedule D)	517,566.54	
	(b) Net gain (or loss) from sale or exchange of property other than capital assets (from line 23, Schedule D)		
	9 Other income (state nature of income)		
	10 Total income (lines 1 to 9, inclusive)		594,538.49
DEDUCTIONS	11 Interest (Schedule A)	17,377.39	
	12 Taxes (Schedule A)	5,207.78	
	13 Fiduciary's portion of depreciation (Schedule B) and depletion. Explain depletion		
	14 Charitable deduction (line 9, Schedule E)	144,738.96	
	15 Other deductions authorized by law (Schedule A)		
	16 Total (lines 11 to 15, inclusive)		167,324.13
	17 Line 10 minus line 16. (Complex trusts and estates enter this amount on line 1 in Schedule F, also)		427,214.36
	18 Deduction for distributions to beneficiaries (instruction 18)	29,912.73	
	19 Adjustment of dividend exclusion (not to exceed $100) (instruction 19)		
	20 Federal estate tax attributable to income in respect of a decedent (Fiduciary's share)		
	21 Long-term capital gain deduction. Enter 50% of line 12(e), Schedule D	250,311.19	
	22 Exemption (instruction 22)	600.00	
	23 Total (lines 18 to 22, inclusive)		280,823.92
	24 Taxable income of fiduciary (line 17 minus line 23)		146,390.44
COMPUTATION OF TAX	25 Tax on amount on line 24 (see tax rate schedule in instruction 25)		87,963.31
	26 If alternative tax is applicable, enter the tax from line 21, Schedule D		70,666.97
	27 Fiduciary's share of foreign tax credit (Form 1116)		
	28 Fiduciary's share of investment credit (see instruction 38 and attach Form 3468)		
	29 Total (lines 27 and 28)		
	30 Balance (line 25 or 26, whichever is applicable, less line 29)		
	31 Tax from recomputing fiduciary's share of prior year investment credit (attach statement)		
	32 Total (lines 30 and 31)		
	33 Fiduciary's share of credit for tax paid at source on tax-free covenant bond interest		
	34 Credit for nonhighway Federal gasoline tax—Form 4136, and Reg. Inv.—Form 2439		
	35 Tax previously paid, or withheld (see instruction 35 and attach explanation)	82,964.98	
	36 Total (lines 33, 34, and 35)		82,964.98
	37 Balance of tax or overpayment (line 32 less line 36)		(12,298.01)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

United California Bank
By:
Lillian B. Disney — Signature of fiduciary or officer representing fiduciary — Date
Co-Executrix — Signature of preparer other than fiduciary — Address — Date

Schedule A.—EXPLANATION OF DEDUCTIONS CLAIMED ON LINES 11, 12, AND 15, PAGE 1 (see instruction 36)

Line No.	Explanation	Amount	Line No.	Explanation	Amount
11	Interest paid on creditors claim of United California Bank.	16,796.93	12	Additional State tax due	2,479.50
11	Interest paid additional Franchise Tax due	580.46	12	1966 State tax due	185.46
			12	1967-68 Real Estate Tax	2,542.82

Schedule B.—EXPLANATION OF DEDUCTION FOR DEPRECIATION (see instruction 37)

This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedures 62-21 and 65-13 as well as for those taxpayers who wish to continue using practices authorized prior to these revenue procedures. Where double headings appear use the first heading for depreciation under Revenue Procedures 62-21 and 65-13 and the second heading for other authorized practices.

1. Group and guideline class — OR — Description of property	2. Cost or other basis at beginning of year — OR — Cost or other basis	3. Asset additions in year (amount) — OR — Date acquired	4. Asset retirements in year (amount) (applicable only to Rev. Proc. 62-21)	5. Depreciation allowed or allowable in prior years	6. Method of computing depreciation	7. Class life — OR — Rate (%) or life	8. Depreciation for this year
1 Total additional first-year depreciation—estates only (do not include in items below) →							
2 Totals							
3 Less: Amount of depreciation claimed elsewhere in this return							
4 Balance (line 2 less line 3)							
5 Fiduciary's portion of line 4. Enter here and on line 13, page 1							

Schedule C.—BENEFICIARIES' SHARES OF INCOME AND CREDITS (estates and complex trusts, see instruction 38)

1. Name of each beneficiary (Designate nonresident aliens, if any)	2. Address (Where return of beneficiary is filed in another internal revenue district, specify district, if known)	3. Social security number
(a) Disney Foundation As Trustee Of	Burbank, California	
(b) The Charitable Trusts		
(c)		
(d)		

Continuation of Schedule C

	4. Amount of income required to be distributed currently	5. Other amounts paid, credited, or otherwise required to be distributed	6. Domestic dividends qualifying for exclusion	7. Income taxable to beneficiaries less portion reportable in cols. 6, 8, 9, and 10
(a)	33,404.22	104,850.00	22,291.36	7,621.37
(b)				
(c)				
(d)				
Totals				

Continuation of Schedule C

	8. Net short-term capital gain	9. Net long-term capital gain (100%)	10. Tax-exempt income (enter total only)	11. Federal income tax paid at source (2% of line 3, page 1, less line 33, page 1)	12. Income and profits taxes paid to a foreign country or United States possession	13. Depreciation and depletion
(a)						
(b)						
(c)						
(d)						
Totals			3,491.49			

ADDITIONAL INFORMATION REQUIRED

1 Was a Form 1041 filed for last year? [ ] Yes [X] No. If "Yes," to which District Director's office was it sent? .....

2 Date trust was created or, if an estate, date of decedent's death. December 15, 1966

3 If copy of will or trust instrument and statement required under General Instruction "H" has been filed, do not file again but enter date and place where filed. .....

4 If you had tax-exempt income, have you deducted only that portion of expenses allocable to taxable income? [X] Yes [ ] No.

5 If return is for a trust, enter name and address of grantor: .....

6 If return is for an estate, has a United States Estate Tax Return been filed? [X] Yes [ ] No. If "No," will return be filed? [ ] Yes [ ] No [ ] Uncertain.

7 Has final distribution of assets been made during the year? [ ] Yes [X] No. If answer is "Yes," see instruction 22.

ACCOUNT Walter E. Disney NO. 1-32-1903-1/3

UNITED CALIFORNIA BANK
600 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA 90054

AMENDED

SCHEDULE OF CAPITAL GAINS AND LOSSES

YEAR 1967

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	AMOUNT REALIZED	COST	FEDERAL RETURN		STATE RETURN	
					SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS	SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS
Capital Gains and Losses Received								
from Account Number:								
1-32-1903-1					2,400.00	500,786.55	2,400.00	414,076.55
1-32-1903-3					14,544.16	(164.17)	14,544.16	(164.17)
NET LONG-TERM AND SHORT-TERM GAIN OR LOSS					16,944.16	500,622.38	16,944.16	413,912.38
LESS PORTION TAXABLE TO BENEFICIARIES								
PORTION TAXABLE TO FIDUCIARY (ENTER TOTAL NET GAIN OR LOSS TO APPROPRIATE SCHEDULE)								
ENTER HERE AND ON PAGE 1 OF TAX RETURNS 50% OF FIDUCIARY'S L/T GAIN LESS S/T LOSS								

TRUST DEPT. (TAX DIV.) D

ACCOUNT Walter E. Disney NO. 1-32-1903-1

UNITED CALIFORNIA BANK
600 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA 90054

SCHEDULE OF CAPITAL GAINS AND LOSSES

AMENDED

YEAR 1967

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	AMOUNT REALIZED	COST	FEDERAL RETURN		STATE RETURN	
					SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS	SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS
13,000 Shares Walt Disney Productions	12-15-66	6-22-67	1,281,826.55					
				F.781,040.00 S 867,750.00		500,786.55		414,076.55
One-half interest in Escrow Receipt								
for 50 Shares Retlaw Enterprises, Inc.								
Certificate Number 9 Registered name								
of Walter E. Disney. Held by Escrow.								
Holder, Herbert F. Sturdy in exchange								
for five (5) promissory notes pursuant								
to court order dated 6-5-67	12-15-66	6-5-67	1,315,987.50					
				1,315,987.50	-0-		-0-	
50,000 Shares California State								
Construction Prog. Ser. K. 3.25%								
Due 7-1-87	12-15-66	5-1-67	46,050.00	43,650.00	2,400.00		2,400.00	
NET LONG-TERM AND SHORT-TERM GAIN OR LOSS					2,400.00	500,786.55	2,400.00	414,076.55
LESS PORTION TAXABLE TO BENEFICIARIES								
PORTION TAXABLE TO FIDUCIARY (ENTER TOTAL NET GAIN OR LOSS TO APPROPRIATE SCHEDULE)								
ENTER HERE AND ON PAGE 1 OF TAX RETURNS 50% OF FIDUCIARY'S L/T GAIN LESS S/T LOSS								

TRUST DEPT. (TAX DIV.) D

Walter Elias D. Disney NO. 1-32-1903-3

UNITED CALIFORNIA BANK
600 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA 90054

SCHEDULE OF CAPITAL GAINS AND LOSSES

AMENDED

YEAR 1967

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	AMOUNT REALIZED	COST	FEDERAL RETURN		STATE RETURN	
					SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS	SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS
5000 Anaheim U.H.S.D. Ser. A Due 12-1-77	12-15-66	4-28-67	5,029.50	4,600.00	429.50		429.50	
12,000 California Veteran - Series B 3.625% Due 4-1-87	12-15-66	4-28-67	11,841.60	10,860.00	981.60		981.60	
5000 California Veterans - Series P 3.25% Due 10-1-80	12-15-66	4-26-67	4,693.00	4,400.00	293.00		293.00	
100,000 L.A. Department of Water & Power Elec. Plt Rev 3.3% Due 4/1/87	12-15-66	5-1-67	92,680.00	87,000.00	5,680.00		5,680.00	
50,000 L.A. Department of Water & Power Elec. Plt Rev. 3.4% Due 4-1-91	12-15-66	5-5-67	46,430.00	44,000.00	2,430.00		2,430.00	
5000 Los Angeles Department of Water & Power Rev 2.7% Due 1-1-80	12-15-66	4-26-67	4,269.00	3,937.50	331.50		331.50	
10,000 Los Angeles City High School District Series E 4% Due 1-1-72	12-15-66	4-26-67	10,289.00	9,900.00	389.00		389.00	
10,000 Los Angeles City Replace Hosp. Fac. 4% Due 7-1-76	12-15-66	4-26-67	10,405.00	9,850.00	555.00		555.00	
10,000 Petaluma City High School Dist. Series A 3.75 Due 2-15-79	12-15-66	4-28-67	10,218.00	9,615.00	603.00		603.00	
38,000 San Diego Sewer Rev 4% due 6-1-2001	12-15-66	4-25-67	37,814.56	35,242.50	2,572.06		2,572.06	
5,000 San Diego Water County Authority Series D 3.8% due 2-1-80	12-15-66	4-25-67	5,029.50	4,750.00	279.50		279.50	
1/3 Interest in Parcel 1 S of 1/2 of W 1/2 of NW 1/4 of SE 1/4 of Section 10 Trr R 6 E Riverside City Expenses of Sale	12-15-66	8-17-67	20,000.00	20,000.00 202.18		(202.18)		(202.18)
44/100 Sh Walt Disney Productions		11-28-67	38.01			38.01		38.
NET LONG-TERM AND SHORT-TERM GAIN OR LOSS					14,544.16	(164.17)	14,544.16	(164.17)
LESS PORTION TAXABLE TO BENEFICIARIES								
PORTION TAXABLE TO FIDUCIARY (ENTER TOTAL NET GAIN OR LOSS TO APPROPRIATE SCHEDULE)								
ENTER HERE AND ON PAGE 1 OF TAX RETURNS 50% OF FIDUCIARY'S L/T GAIN LESS S/T LOSS								

TRUST DEPT. (TAX DIV.) D

Schedule D.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY (see instruction 39)

Part I—CAPITAL ASSETS

Short-Term Capital Gains and Losses—Assets Held Not More Than 6 Months

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
1						
SEE ATTACHED SCHEDULE						16,944.16
2 Enter your share of net short-term gain (or loss) from partnerships and other fiduciaries						
3 Enter unused short-term capital loss carryover from preceding taxable years (attach statement)						
4 Net short-term gain (or loss) from lines 1, 2, and 3. Enter here and on line 9 below						16,944.16

Long-Term Capital Gains and Losses—Assets Held More Than 6 Months

5						
SEE ATTACHED SCHEDULE						500,622.38
6 Enter the full amount of your share of net long-term gain (or loss) from partnerships and other fiduciaries						
7 Enter unused long-term capital loss carryover from preceding taxable years (attach statement)						
8 Net long-term gain (or loss) from lines 5, 6, and 7. Enter here and on line 10 below						500,622.38

CAPITAL GAINS AND LOSSES

	1. Beneficiaries	2. Fiduciary	3. Total
9 Net short-term gain or loss from line 4, above		16,944.16	16,944.16
10 Net long-term gain or loss from line 8, above		500,622.38	500,622.38
11 Total net gain or loss		517,566.54	517,566.54

Enter on line 8(a), page 1, the net gain shown on line 11, column 3, above. If net loss on line 11, column 3, above, enter as loss on line 8(a), page 1, whichever of the following is the smallest amount: (i) the amount of the loss, (ii) taxable income computed without regard to capital gains and losses and the deduction for personal exemption, or (iii) $1,000.

COMPUTATION OF FIDUCIARY'S CAPITAL GAINS DEDUCTION

12(a) Long-term capital gain shown on line 10, column 3, above	500,622.38
(b) Short-term capital loss shown on line 9, column 3, above	-0-
(c) Excess of line 12(a) over line 12(b), above	500,622.38
(d) Long-term capital gains taxable to beneficiaries. (Total of column 9, Schedule C)	-0-
(e) Balance (line 12(c) minus line 12(d)). (Enter 50% of this amount on line 21, page 1)	500,622.38

Part II—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—Assets Held More Than 6 Months—Where double headings appear, use the first heading for section 1245 and the second heading for section 1250.

a. Kind of property (if necessary, attach statement of descriptive details not shown below—write 1245 or 1250 to indicate type of asset)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale
13				

f. Depreciation allowed (or allowable) since acquisition		g. Adjusted basis (e less sum of f-1 and f-2)	h. Total gain (d less g)	i. Ordinary gain (lesser of f-2 or h) — OR — (see instructions)	j. Other gain (h less i)
f-1. Prior to January 1, 1962 — OR — Prior to January 1, 1964	f-2. After December 31, 1961 — OR — After December 31, 1963				

14 Total ordinary gain. Enter here and in column g, line 22, Part III

15 Total other gain. Enter here and in column g, line 5, Part I; however, if the gains do not exceed the losses when this amount is combined with other gains and losses from section 1231 property enter the total of column j in column g, line 22, Part III

COMPUTATION OF ALTERNATIVE TAX

If fiduciary had a net long-term capital gain or an excess of net long-term capital gain over net short-term capital loss shown in column 2, line 11, page 3, and line 24, page 1, exceeds $26,000, it may be to his advantage to make the alternative tax computation.

16 Income from line 24, page 1	146,390.44
17 50% of amount on line 12(e), page 3	137,671.15
18 Balance (line 16 minus line 17)	8,719.29
19 Tax on amount on line 18 (see tax rate schedule in instruction 25)	1,831.40
20 50% of amount on line 17, above	68,835.57
21 Alternative tax (line 19 plus line 20); if less than line 25, page 1, enter this amount on line 26, page 1	70,666.97

Part III—PROPERTY OTHER THAN CAPITAL ASSETS

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
22						
23 Net gain (or loss). Enter here and on line 8(b), page 1						

Schedule E.—COMPUTATION OF CHARITABLE DEDUCTION (see instruction 40)
(Submit statement giving name and address of charitable organization) "SEE SCHEDULE C".

1 Amounts paid or permanently set aside for charitable purposes from current year's income		27,330.73
2 Tax-exempt interest allocable to charitable distribution	2,856.68	
(Complete lines 3 and 4 below only if gain on line 10, column 2, Schedule D, exceeds loss on line 9, column 2, Schedule D)		
3 (a) Long-term capital gain included on line 1 (Do not complete lines (b) and (c) if such amounts are greater than line (a))		
(b) Enter gain on line 10, column 2, Schedule D, minus loss on line 9, column 2, Schedule D		
(c) Enter gain on line 10, column 3, Schedule D, minus loss on line 9, column 3, Schedule D		
4 Enter 50% of the smallest of line 3(a), line 3(b), or line 3(c)		2,856.68
5 Enter sum of line 2 and line 4		24,474.05
6 Balance (line 1 minus line 5)		120,264.91
7 Enter short-term capital gains and 50% of the long-term capital gains of the current taxable year allocable to corpus, paid or permanently set aside for charitable purposes		
8 Amounts paid or permanently set aside for charitable purposes other than from income of the current year		144,738.96
9 Total (line 6 plus lines 7 and 8). Enter here and on line 14, page 1		

Schedule F.—COMPUTATION OF DISTRIBUTABLE NET INCOME (see instruction 41)

1 Enter amount from line 17, page 1	
2 Add: (a) Tax-exempt interest (as adjusted)	
(b) Net gain shown on line 11, column 1, Schedule D. If net loss, enter zero	
(c) Lines 4 and 7, Schedule E	
(d) Short-term capital gain included on line 1, Schedule E	
(e) If amount on line 8(a), page 1, is a loss, enter amount here	
3 Total (line 1 through line 2(e))	
4 If amount on line 8(a), page 1, is a gain, enter amount here	
5 Distributable net income (line 3 minus line 4)	

Schedule G.—COMPUTATION OF DISTRIBUTIONS DEDUCTION (see instruction 42)

1 Total of columns 4 and 5 of Schedule C	
2 Enter the total of column 10, Schedule C	
3 Balance (line 1 minus line 2)	
4 Enter distributable net income (line 5, Schedule F)	
5 Enter the amount from line 2(a), Schedule F	
6 Balance (line 4 minus line 5)	
7 Distributions deduction. (Enter here and on line 18, page 1, the lesser of line 3 or line 6 above)	

During the taxable year did you make an accumulation distribution as defined in sec. 665(b)? See general instruction O. ☐ Yes ☐ No. If "Yes," attach Schedule J (Form 1041).

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EXHIBIT C.

SCHEDULE E (Form 1041) U.S. Treasury Department Internal Revenue Service	**Beneficiary's Share of Income, Deductions, and Credits—1968** for the year January 1–December 31, 1968, or other taxable year beginning _____, 1968, ending _____, 19__ (Complete for each beneficiary—See instructions on back of Copy C)	Copy A File with Form 1041

Income		Deductions and credits	
1 Dividends qualifying for exclusion	33,942.96	5 Depreciation and depletion	
2 Short-term capital gain		6 Foreign tax credit	
3 Long-term capital gain		7 Other (specify)	
4 Other taxable income	105,733.65		

Name, identifying number, and address (including ZIP code) of beneficiary

Disney Foundation As Trustee Of
The Charitable Trusts
Burbank, California

Name and employer identification number of estate or trust and name and address (including ZIP code) of fiduciary

Estate Of Walter E. Disney 95-6145544
c/o United California Bank, Co-Executor
600 South Spring Street
Los Angeles, California 90054

FORM **1041**
U.S. Treasury Department
Internal Revenue Service

U.S. Fiduciary Income Tax Return

for the year January 1–December 31, 1968, or other taxable year

beginning _____, 1968, ending _____, 19__

PLEASE PRINT OR TYPE

F 7465-3

1968

Check whether:
- [x] Estate
- [ ] Simple trust
- [ ] Complex trust

If trust, check whether:
- [ ] Testamentary
- [ ] Inter vivos

Name of estate or trust: Walter E. Disney 1-32-1903-0

Employer Identification Number: 95-6145544

Name and title of fiduciary: United California Bank - Co-Executor

Address of fiduciary (number and street): 600 South Spring Street

City, State, and ZIP code: Los Angeles, California 90054

Simple trusts are not required to fill in Schedules B and C.

INCOME	1 Dividends (Enter full amount before exclusion)	69,042.10	
	2 Interest	215,064.32	
	3 Income from partnerships and other fiduciaries		
	4 Gross rents and royalties	4.50	
	5 Gross profit (loss) from trade or business		
	6 Net gain (loss) from capital assets (line 12, column 3, Schedule D, Form 1041)	1,187,172.24	x
	7 Net gain (loss) from property other than capital assets (line 24, Schedule D, Form 1041)		
	8 Other income (State nature of income)		
	9 Total income (lines 1 to 8, inclusive)		1,471,283.16 x
DEDUCTIONS	10 Interest	16,326.16	
	11 Taxes	13,827.29	
	12 Fiduciary's portion of depreciation (Schedule A) and depletion. Explain depletion		
	13 Charitable deduction (line 9, Schedule B)	381,394.61	x
	14 Other deductions (itemize)		
	15 Total (lines 10 to 14, inclusive)		411,548.06 x
	16 Line 9 minus line 15 (Complex trusts and estates enter this amount on line 1 in Schedule C also)		1,059,735.10 x
COMPUTATION OF TAX	17 Deduction for distributions to beneficiaries	139,676.61	
	18 Adjustment of dividend exclusion		
	19 Federal estate tax attributable to income in respect of a decedent (Fiduciary's share		
	20 Long-term capital gain deduction. Enter 50% of line 13(e), Schedule D, Form 1041	593,586.12	x
	21 Exemption	600.00	
	22 Total (lines 17 to 21, inclusive)		733,862.73 x
	23 Taxable income of fiduciary (line 16 minus line 22)		325,872.37 x
	24 Tax on amount on line 23 (See tax rate schedule)		213,600.66 x
	25 If alternative tax is applicable, enter the tax from line 22, Schedule D, Form 1041		163,236.18 x
	26 Tax surcharge (See instruction 26)		12,242.71 x
	27 Total (line 24 or line 25, whichever is applicable, and line 26)		175,478.89 x
	28 Fiduciary's share of foreign tax credit (Attach Form 1116)		
	29 Fiduciary's share of investment credit (Attach Form 3468)		
	30 Total (lines 28 and 29)		
	31 Balance (line 27 less line 30)		175,478.89 x
	32 Tax from recomputing fiduciary's share of prior year investment credit (Attach statement)		
	33 Total (lines 31 and 32)		175,478.89 x
	34 Fiduciary's share of credit for tax paid at source on tax-free covenant bond interest		
	35 Credit for nonhighway Federal gasoline tax and lubricating oil (Attach Form 4136)		
	36 Credit for regulated investment companies (Attach Form 2439)		
	37 Tax previously paid or withheld (Attach explanation)		
	38 Total (lines 34 to 37, inclusive)		
	39 Balance of tax due (line 33 less line 38)		175,478.89
	40 Overpayment (line 38 less line 33)		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Sign here ▶ _____ (Signature of fiduciary or officer representing fiduciary) _____ (Date)

▶ _____ (Signature of preparer other than fiduciary) _____ (Address) _____ (Date)

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2/12/69

Schedule A.—DEPRECIATION— Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation—estates only (do not include in items below) ▶						
2 Totals						
3 Less amount of depreciation claimed elsewhere on return						
4 Balance (line 2 less line 3)						
5 Fiduciary's portion of line 4. Enter here and on line 12, page 1						

Schedule B.—CHARITABLE DEDUCTION— (Attach statement giving name and address of charitable organization.)

1 Amounts paid or permanently set aside for charitable purposes from current year's income		114,280.86
2 Tax-exempt interest allocable to charitable distribution		
(Complete lines 3 and 4 below only if gain on line 11, column 2, Schedule D, Form 1041, exceeds loss on line 10, column 2, Schedule D, Form 1041)		
3 (a) Long-term capital gain included on line 1		
(Do not complete lines (b) and (c) if such amounts are greater than line (a))		
(b) Enter gain on line 11, column 2, Schedule D, Form 1041, minus loss on line 10, column 2, Schedule D, Form 1041		
(c) Enter gain on line 11, column 3, Schedule D, Form 1041, minus loss on line 10, column 3, Schedule D, Form 1041		
4 Enter 50% of the smallest of line 3(a), line 3(b), or line 3(c)		
5 Enter sum of line 2 and line 4		
6 Balance (line 1 minus line 5)		114,280.86
7 Enter short-term capital gains and 50% of the long-term capital gains of the current taxable year allocable to corpus, paid or permanently set aside for charitable purposes		267,113.75 x
8 Amounts paid or permanently set aside for charitable purposes other than from income of the current year		
9 Total (line 6 plus lines 7 and 8). Enter here and on line 13, page 1		381,394.61 x

Schedule C.—DISTRIBUTABLE NET INCOME AND DISTRIBUTIONS DEDUCTION

1 Enter amount from line 16, page 1	1,059,735.10 x
2 Add: (a) Tax-exempt interest (as adjusted)	-0-
(b) Net gain shown on line 12, column 1, Schedule D, Form 1041. If net loss, enter zero	-0-
(c) Lines 4 and 7, Schedule B	267,113.75 x
(d) Short-term capital gain included on line 1, Schedule B	-0-
(e) If amount on line 6, page 1, is a loss, enter amount here	-0-
3 Total (line 1 through line 2(e))	1,326,848.85 x
4 If amount on line 6, page 1, is a gain, enter amount here	1,187,172.24 x
5 Distributable net income (line 3 minus line 4)	139,676.61
6 Amount of income required to be distributed currently	139,676.61
7 Other amounts paid, credited, or otherwise required to be distributed	8,622,155.00
8 Total (lines 6 and 7)	8,761,831.61
9 Enter the total of tax-exempt income included on lines 6 and 7	-0-
10 Balance (line 8 minus line 9)	8,761,831.61
11 Enter distributable net income (line 5, above)	139,676.61
12 Enter the amount from line 2(a), above	-0-
13 Balance (line 11 minus line 12)	139,676.61
14 Distributions deduction. Enter here and on line 17, page 1, the lesser of line 10 or line 13 above	139,676.61

1 Date trust was created or, if an estate, date of decedent's death. December 15, 1966

2 If return is for an estate, has a United States Estate Tax Return been filed? [x] Yes [ ] No. If "No," will return be filed? [ ] Yes [ ] No [ ] Uncertain.

3 If you had tax-exempt income, have you deducted only that portion of expenses allocable to taxable income? [ ] Yes [ ] No.

4 Has final distribution of assets been made during the year? [ ] Yes [x] No.

5 If the estate or trust received income from a nominee, state name, employer identification number, and address of nominee.

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SCHEDULE D (Form 1041)
U.S. Treasury Department
Internal Revenue Service

Gains and Losses From Sales or Exchanges of Property

1968

Name of estate or trust: Walter E. Disney, 1-32-1903-0

Part I—CAPITAL ASSETS—Short-Term Capital Gains and Losses—Assets Held Not More Than 6 Months

a. Kind of property (If necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus or minus adjustments (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
1						

2 Enter your share of net short-term gain (or loss) from partnerships and other fiduciaries . . . . .
3 Enter unused short-term capital loss carryover from preceding taxable years (attach statement) . . . . .
4 Net short-term gain (or loss) from lines 1, 2, and 3. Enter here and on line 10 below . . . . .

Long-Term Capital Gains and Losses—Assets Held More Than 6 Months

5						
See Attached Schedule						1,187,172.24 ✓

6 Enter the full amount of your share of net long-term gain (or loss) from partnerships, other fiduciaries, etc. . . . .
7 Enter unused long-term capital loss carryover from preceding taxable years (attach statement) . . . . .
8 Capital gain dividends . . . . .
9 Net long-term gain (or loss) from lines 5, 6, 7, and 8. Enter here and on line 11 below . . . . . 1,187,172.24 ✓

CAPITAL GAINS AND LOSSES

	1. Beneficiaries	2. Fiduciary	3. Total
10 Net short-term gain or loss from line 4, above			
11 Net long-term gain or loss from line 9, above	✓	1,187,172.24	1,187,172.24 ✓
12 Total net gain or loss	✗	1,187,172.24	1,187,172.24 ✗

Enter on line 6, page 1, Form 1041, the net gain shown on line 12, column 3, above. If net loss on line 12, column 3, above, enter as loss on line 6, page 1, Form 1041, whichever of the following is the smallest amount: (i) the amount of the loss, (ii) taxable income computed without regard to capital gains and losses and the deduction for exemption, or (iii) $1,000.

COMPUTATION OF FIDUCIARY'S CAPITAL GAINS DEDUCTION

13(a) Long-term capital gain shown on line 11, column 3, above	1,187,172.24 ✓
(b) Short-term capital loss shown on line 10, column 3, above	-0-
(c) Excess of line 13(a) over line 13(b), above	1,187,172.24 ✓
(d) Long-term capital gains taxable to beneficiaries	-0-
(e) Balance (line 13(c) minus line 13(d)). (Enter 50% of this amount on line 20, page 1, Form 1041.)	1,187,172.24 ✓

Part II—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—Assets Held More Than 6 Months—Where double headings appear, use the first heading for section 1245 and the second heading for section 1250.

a. Kind of property (If necessary, attach statement of descriptive details not shown below—write 1245 or 1250 to indicate type of asset)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale
14				

f. Depreciation allowed (or allowable) since acquisition		g. Adjusted basis (e less sum of f-1 and f-2)	h. Total gain (d less g)	i. Ordinary gain (lesser of f-2 or h) — OR — (see instructions)	j. Other gain (h less i)
f-1. Prior to January 1, 1962 — OR — Prior to January 1, 1964	f-2. After December 31, 1961 — OR — After December 31, 1963				

15 Total ordinary gain. Enter here and in column g, line 23, Part III . . . . .
16 Total other gain. Enter here and in column g, line 5, Part I; however, if the gains do not exceed the losses when this amount is combined with other gains and losses from section 1231 property, enter the total of column j in column g, line 23, Part III . . . . .

18—00512-1

COMPUTATION OF ALTERNATIVE TAX

If fiduciary had a net long-term capital gain or an excess of net long-term capital gain over net short-term capital loss shown in column 2, line 12, and line 23, page 1, Form 1041, exceeds $26,000, it may be to his advantage to make the alternative tax computation.

17 Amount from line 23, page 1, Form 1041	325,872.37 ✓
18 50% of amount on line 13(e) . 50% (1,187,172.24 - 534,227.51)	326,472.36 ✓
19 Balance (line 17 minus line 18)	-0-
20 Tax on amount on line 19 (see tax rate schedule)	-0-
21 50% of amount on line 19, above	163,236.18 ✓
22 Alternative tax (line 20 plus line 21); if less than line 24, page 1, Form 1041, enter this amount on line 25, page 1, Form 1041	163,236.18 ✓

Part III—PROPERTY OTHER THAN CAPITAL ASSETS

a. Kind of property (If necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus or minus adjustments (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
23						
24 Net gain (or loss). Enter here and on line 7, page 1, Form 1041						

INSTRUCTIONS
(References are to the Internal Revenue Code)

Gains and losses from sales and exchanges of capital assets and other property.—In computing gross income no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

"Capital assets" defined.—The term "capital assets" means property held by the estate or trust (whether or not connected with the trade or business) but does NOT include—

(*a*) stock in trade or other property of a kind properly includible in inventory if on hand at the close of the taxable year;

(*b*) property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business;

(*c*) property used in the trade or business of a character which is subject to the allowance for depreciation provided in section 167;

(*d*) real property used in the trade or business of the taxpayer;

(*e*) certain government obligations issued on or after March 1, 1941, at a discount, payable without interest and maturing at a fixed date not exceeding one year from date of issue;

(*f*) certain copyrights, literary, musical, or artistic compositions, etc.; or

(*g*) accounts and notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property referred to in (*a*) or (*b*) above.

Gains and losses from transactions described in section 1231 (see below) shall be treated as gains and losses from the sale or exchange of capital assets held for more than 6 months if the total of these gains exceeds the total of these losses. If the total of these gains does not exceed the total of these losses, such gains and losses shall not be treated as gains and losses from the sale or exchange of capital assets. Thus, in the event of a net gain, all these transactions should be entered in the "long-term capital gains and losses" portion of Schedule D. In the event of a net loss, all these transactions should be entered in the "property other than capital assets" portion of Schedule D, or in other applicable schedules on Form 1041.

Section 1231 deals with gains and losses arising from—

(*a*) sale, exchange, or involuntary conversion, of land (including in certain cases unharvested crops sold with the land) and depreciable property if they are used in the trade or business and held for more than 6 months,

(*b*) sale, exchange, or involuntary conversion of livestock (but not including poultry) held for draft, breeding, or dairy purposes and held for 1 year or more,

(*c*) the cutting of timber or the disposal of timber, coal, or domestic iron ore to which section 631 applies, and

(*d*) the involuntary conversion of capital assets held more than 6 months.

See sections 1231 and 631 for specific conditions applicable.

Gain from disposition of depreciable property under sections 1245 and 1250—Assets held more than 6 months (Part II).—(Report any gain from such property held for 6 months or less in Part III.) Except as provided below, section 1245 property means depreciable (*a*) personal property (other than livestock) including intangible personal property; and (*b*) tangible real property (except for buildings and their structural components) if used as an integral part of manufacturing, production, or extraction, or of furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services, or used as a research or storage facility in connection with these activities; and (*c*) elevators and escalators.

Except as provided below, section 1250 property means depreciable real property (other than section 1245 property).

See sections 1245 (b) and 1250 (d) for exceptions and limitations involving: (*a*) disposition by gift; (*b*) transfers at death; (*c*) certain tax-free transactions; (*d*) like kind exchanges, involuntary conversions; (*e*) sales or exchanges to effectuate FCC policies and exchanges to comply with S.E.C. orders; (*f*) property distributed by a partnership to a partner; and (*g*) disposition of principal residence (section 1250 only).

Column f of Part II.—In computing depreciation allowed or allowable for elevators or escalators, enter in column *f*-1 depreciation prior to July 1, 1963, and in column *f*-2 depreciation after June 30, 1963.

Column i of Part II, section 1250 property only.—If held for more than 6 months, but not more than 1 year, enter the smaller of (1) column h, or (2) column *f*-2. If held for more than 1 year, enter the result of multiplying the smaller of (1) column h, or (2) column *f*-2 less the amount of depreciation computed for the same period using the straight line method, by the percentage obtained by subtracting from 100%, one percentage point for each full month the property was held in excess of 20 months. Where substantial improvements have been made within the preceding 10 years, see section 1250 (f).

(Instructions continued on reverse of duplicate)

18—00512-1 470

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Supplemental Stipulation of Facts

United States District Court, Central District of California.

UNITED CALIFORNIA BANK and LILLIAN DISNEY TRUYENS, Co-Executors of the Estate of Walter E. Disney, Plaintiffs, v. UNITED STATES OF AMERICA, Defendant. No. 73-2828-IH CIVIL.

Filed: Jul 9, 1974.

On June 28, 1974, the parties in this matter filed their Stipulation of Facts and Question of Law. Inadvertently, the Fiduciary Income Tax Return for the Estate for the taxable year 1968, referred to in paragraph 6 and attached as Exhibit C, is the one originally filed. It was intended that the reference be made to the *amended* 1968 return which is attached to this Supplemental Stipulation of Facts as Exhibit D.

DATED: July 3, 1974.

GIBSON, DUNN & CRUTCHER
/s/ Marc R. Isaacson
MARC R. ISAACSON
Attorneys for Plaintiffs
WILLIAM D. KELLER
United States Attorney
CHARLES H. MAGNUSON
Assistant United States Attorney
Chief, Tax Division
MASON C. LEWIS
Assistant United States Attorney
/s/ Mason C. Lewis
MASON C. LEWIS
Attorneys for United States of America

EXHIBIT D.

FORM **1041**
U.S. Treasury Department
Internal Revenue Service

U.S. Fiduciary Income Tax Return

for the year January 1–December 31, 1968, or other taxable year

1968

beginning ..... 1968, ending ..... 19....

PLEASE PRINT OR TYPE

Check whether:
- [X] Estate
- [ ] Simple trust
- [ ] Complex trust

If trust, check whether:
- [ ] Testamentary
- [ ] Inter vivos

Name of estate or trust: Walter E. Disney (1-32-1903-0)

Employer Identification Number: 95-6145544

Name and title of fiduciary: United California Bank - Co-Executor

Address of fiduciary (number and street): 600 South Spring Street

City, State, and ZIP code: Los Angeles, California 90054

Simple trusts are not required to fill in Schedules B and C.

INCOME	1 Dividends (Enter full amount before exclusion)	69,042.10	
	2 Interest	215,064.32	
	3 Income from partnerships and other fiduciaries		
	4 Gross rents and royalties	4.50	
	5 Gross profit (loss) from trade or business		
	6 Net gain (loss) from capital assets (line 12, column 3, Schedule D, Form 1041)	1,058,018.43	
	7 Net gain (loss) from property other than capital assets (line 24, Schedule D, Form 1041)		
	8 Other income (State nature of income)		
	9 Total income (lines 1 to 8, inclusive)		1,342,129.35
DEDUCTIONS	10 Interest	16,326.16	
	11 Taxes	13,827.29	
	12 Fiduciary's portion of depreciation (Schedule A) and depletion. Explain depletion		
	13 Charitable deduction (line 9, Schedule B)	352,335.01	
	14 Other deductions (itemize)		
	15 Total (lines 10 to 14, inclusive)		382,488.46
	16 Line 9 minus line 15 (Complex trusts and estates enter this amount on line 1 in Schedule C also)		959,640.89
	17 Deduction for distributions to beneficiaries	139,676.61	
	18 Adjustment of dividend exclusion		
	19 Federal estate tax attributable to income in respect of a decedent (Fiduciary's share)		
	20 Long-term capital gain deduction. Enter 50% of line 13(e), Schedule D, Form 1041	529,009.21	
	21 Exemption	600.00	
	22 Total (lines 17 to 21, inclusive)		669,285.82
	23 Taxable income of fiduciary (line 16 minus line 22)		290,355.07
COMPUTATION OF TAX	24 Tax on amount on line 23 (See tax rate schedule)		188,738.55
	25 If alternative tax is applicable, enter the tax from line 22, Schedule D, Form 1041		145,477.53
	26 Tax surcharge (See instruction 26)		10,910.81
	27 Total (line 24 or line 25, whichever is applicable, and line 26)		156,388.34
	28 Fiduciary's share of foreign tax credit (Attach Form 1116)		
	29 Fiduciary's share of investment credit (Attach Form 3468)		
	30 Total (lines 28 and 29)		
	31 Balance (line 27 less line 30)		156,388.34
	32 Tax from recomputing fiduciary's share of prior year investment credit (Attach statement)		
	33 Total (lines 31 and 32)		156,388.34
	34 Fiduciary's share of credit for tax paid at source on tax-free covenant bond interest		
	35 Credit for nonhighway Federal gasoline tax and lubricating oil (Attach Form 4136)		
	36 Credit for regulated investment companies (Attach Form 2439)		
	37 Tax previously paid or withheld (Attach explanation)	175,478.89	
	38 Total (lines 34 to 37, inclusive)		175,478.89
	39 Balance of tax due (line 33 less line 38)		-0-
	40 Overpayment (line 38 less line 33)		19,090.55

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Sign here ▶ United California Bank
By:
Lillian B. Disney
Co-Executrix
Signature of fiduciary or officer representing fiduciary — Date

▶ Signature of preparer other than fiduciary — Address — Date

Schedule A.—DEPRECIATION—Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation—estates only (do not include in items below) ⟶						
2 Totals						
3 Less amount of depreciation claimed elsewhere on return						
4 Balance (line 2 less line 3)						
5 Fiduciary's portion of line 4. Enter here and on line 12, page 1						

Schedule B.—CHARITABLE DEDUCTION— (Attach statement giving name and address of charitable organization.) (See Schedule E)

1 Amounts paid or permanently set aside for charitable purposes from current year's income		114,280.86
2 Tax-exempt interest allocable to charitable distribution		
(Complete lines 3 and 4 below only if gain on line 11, column 2, Schedule D, Form 1041, exceeds loss on line 10, column 2, Schedule D, Form 1041)		
3 (a) Long-term capital gain included on line 1 (Do not complete lines (b) and (c) if such amounts are greater than line (a))		
(b) Enter gain on line 11, column 2, Schedule D, Form 1041, minus loss on line 10, column 2, Schedule D, Form 1041		
(c) Enter gain on line 11, column 3, Schedule D, Form 1041, minus loss on line 10, column 3, Schedule D, Form 1041		
4 Enter 50% of the smallest of line 3(a), line 3(b), or line 3(c)		
5 Enter sum of line 2 and line 4		
6 Balance (line 1 minus line 5)		114,280.86
7 Enter short-term capital gains and 50% of the long-term capital gains of the current taxable year allocable to corpus, paid or permanently set aside for charitable purposes		238,054.15
8 Amounts paid or permanently set aside for charitable purposes other than from income of the current year		
9 Total (line 6 plus lines 7 and 8). Enter here and on line 13, page 1		352,335.01

Schedule C.—DISTRIBUTABLE NET INCOME AND DISTRIBUTIONS DEDUCTION

1 Enter amount from line 16, page 1	959,640.89
2 Add: (a) Tax-exempt interest (as adjusted)	
(b) Net gain shown on line 12, column 1, Schedule D, Form 1041. If net loss, enter zero	238,054.15
(c) Lines 4 and 7, Schedule B	
(d) Short-term capital gain included on line 1, Schedule D	
(e) If amount on line 6, page 1, is a loss, enter amount here	
3 Total (line 1 through line 2(e))	1,197,695.04
4 If amount on line 6, page 1, is a gain, enter amount here	1,058,018.43
5 Distributable net income (line 3 minus line 4)	139,676.61
6 Amount of income required to be distributed currently	139,676.61
7 Other amounts paid, credited, or otherwise required to be distributed	3,622,155.00
8 Total (lines 6 and 7)	3,761,831.61
9 Enter the total of tax-exempt income included on lines 6 and 7	
10 Balance (line 8 minus line 9)	3,761,831.61
11 Enter distributable net income (line 5, above)	139,676.61
12 Enter the amount from line 2(a), above	
13 Balance (line 11 minus line 12)	139,676.61
14 Distributions deduction. Enter here and on line 17, page 1, the lesser of line 10 or line 13 above	139,676.61

1 Date trust was created or, if an estate, date of decedent's death. December 15, 1966

2 If return is for an estate, has a United States Estate Tax Return been filed? [X] Yes [ ] No. If "No," will return be filed? [ ] Yes [ ] No [ ] Uncertain.

3 If you had tax-exempt income, have you deducted only that portion of expenses allocable to taxable income? [ ] Yes [ ] No.

4 Has final distribution of assets been made during the year? [ ] Yes [X] No.

5 If the estate or trust received income from a nominee, state name, employer identification number, and address of nominee.

16—50221-1 ☆☆☆ U.S. GOVERNMENT PRINTING OFFICE : 1968 —O 290-018

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"AMENDED RETURN"

SCHEDULE D (Form 1041)
U.S. Treasury Department
Internal Revenue Service

Gains and Losses From Sales or Exchanges of Property

1968

Name of estate or trust
Walter E. Disney (1-32-1903-0)

Part I—CAPITAL ASSETS—Short-Term Capital Gains and Losses—Assets Held Not More Than 6 Months

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
1						

2 Enter your share of net short-term gain (or loss) from partnerships and other fiduciaries . . . . . .
3 Enter unused short-term capital loss carryover from preceding taxable years (attach statement) . . . . . .
4 Net short-term gain (or loss) from lines 1, 2, and 3. Enter here and on line 10 below . . . . . .

Long-Term Capital Gains and Losses—Assets Held More Than 6 Months

5						
	SEE ATTACHED SCHEDULE					1,058,018.43

6 Enter the full amount of your share of net long-term gain (or loss) from partnerships, other fiduciaries, etc. . . . . .
7 Enter unused long-term capital loss carryover from preceding taxable years (attach statement) . . . . . .
8 Capital gain dividends . . . . . .
9 Net long-term gain (or loss) from lines 5, 6, 7, and 8. Enter here and on line 11 below 1,058,018.43

CAPITAL GAINS AND LOSSES

	1. Beneficiaries	2. Fiduciary	3. Total
10 Net short-term gain or loss from line 4, above			
11 Net long-term gain or loss from line 9, above	%	1,058,018.43	1,058,018.43
12 Total net gain or loss	%	1,058,018.43	1,058,018.43

Enter on line 6, page 1, Form 1041, the net gain shown on line 12, column 3, above. If net loss on line 12, column 3, above, enter as loss on line 6, page 1, Form 1041, whichever of the following is the smallest amount: (i) the amount of the loss, (ii) taxable income computed without regard to capital gains and losses and the deduction for exemption, or (iii) $1,000.

COMPUTATION OF FIDUCIARY'S CAPITAL GAINS DEDUCTION

13(a) Long-term capital gain shown on line 11, column 3, above	1,058,018.43
(b) Short-term capital loss shown on line 10, column 3, above	-0-
(c) Excess of line 13(a) over line 13(b), above	1,058,018.43
(d) Long-term capital gains taxable to beneficiaries	-0-
(e) Balance (line 13(c) minus line 13(d)). (Enter 50% of this amount on line 20, page 1, Form 1041.)	1,058,018.43

Part II—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—Assets Held More Than 6 Months—Where double headings appear, use the first heading for section 1245 and the second heading for section 1250.

a. Kind of property (if necessary, attach statement of descriptive details not shown below—write 1245 or 1250 to indicate type of asset)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale
14				

f. Depreciation allowed (or allowable) since acquisition		g. Adjusted basis (e less sum of f-1 and f-2)	h. Total gain (d less g)	i. Ordinary gain (lesser of f-2 or h) — OR — (see instructions)	j. Other gain (h less i)
f-1. Prior to January 1, 1962 — OR — Prior to January 1, 1964	f-2. After December 31, 1961 — OR — After December 31, 1963				

15 Total ordinary gain. Enter here and in column g, line 23, Part III . . . . . .
16 Total other gain. Enter here and in column g, line 5, Part I; however, if the gains do not exceed the losses when this amount is combined with other gains and losses from section 1231 property, enter the total of column j in column g, line 23, Part III . . . . . .

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COMPUTATION OF ALTERNATIVE TAX

If fiduciary had a net long-term capital gain or an excess of net long-term capital gain over net short-term capital loss shown in column 2, line 12, and line 23, page 1, Form 1041, exceeds $26,000, it may be to his advantage to make the alternative tax computation.

17 Amount from line 23, page 1, Form 1041	290,355.07
18 50% of amount on line 13(e)	290,955.07
19 Balance (line 17 minus line 18)	-0-
20 Tax on amount on line 19 (see tax rate schedule)	-0-
21 50% of amount on line 18, above	145,477.53
22 Alternative tax (line 20 plus line 21); if less than line 24, page 1, Form 1041, enter this amount on line 25, page 1, Form 1041	145,477.53

Part III—PROPERTY OTHER THAN CAPITAL ASSETS

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
23						

24 Net gain (or loss). Enter here and on line 7, page 1, Form 1041 . . . . . .

INSTRUCTIONS
(References are to the Internal Revenue Code)

Gains and losses from sales and exchanges of capital assets and other property.—In computing gross income no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

"Capital assets" defined.—The term "capital assets" means property held by the estate or trust (whether or not connected with the trade or business) but does NOT include—

(*a*) stock in trade or other property of a kind properly includible in inventory if on hand at the close of the taxable year;

(*b*) property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business;

(*c*) property used in the trade or business of a character which is subject to the allowance for depreciation provided in section 167;

(*d*) real property used in the trade or business of the taxpayer;

(*e*) certain government obligations issued on or after March 1, 1941, at a discount, payable without interest and maturing at a fixed date not exceeding one year from date of issue;

(*f*) certain copyrights, literary, musical, or artistic compositions, etc.; or

(*g*) accounts and notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property referred to in (*a*) or (*b*) above.

Gains and losses from transactions described in section 1231 (see below) shall be treated as gains and losses from the sale or exchange of capital assets held for more than 6 months if the total of these gains exceeds the total of these losses. If the total of these gains does not exceed the total of these losses, such gains and losses shall not be treated as gains and losses from the sale or exchange of capital assets. Thus, in the event of a net gain, all these transactions should be entered in the "long-term capital gains and losses" portion of Schedule D. In the event of a net loss, all these transactions should be entered in the "property other than capital assets" portion of Schedule D, or in other applicable schedules on Form 1041.

Section 1231 deals with gains and losses arising from—

(*a*) sale, exchange, or involuntary conversion, of land (including in certain cases unharvested crops sold with the land) and depreciable property if they are used in the trade or business and held for more than 6 months,

(*b*) sale, exchange, or involuntary conversion of livestock (but not including poultry) held for draft, breeding, or dairy purposes and held for 1 year or more,

(*c*) the cutting of timber or the disposal of timber, coal, or domestic iron ore to which section 631 applies, and

(*d*) the involuntary conversion of capital assets held more than 6 months.

See sections 1231 and 631 for specific conditions applicable.

Gain from disposition of depreciable property under sections 1245 and 1250—Assets held more than 6 months (Part II).—(Report any gain from such property held for 6 months or less in Part III.) Except as provided below, section 1245 property means depreciable (*a*) personal property (other than livestock) including intangible personal property; and (*b*) tangible real property (except for buildings and their structural components) if used as an integral part of manufacturing, production, or extraction, or of furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services, or used as a research or storage facility in connection with these activities; and (*c*) elevators and escalators.

Except as provided below, section 1250 property means depreciable real property (other than section 1245 property).

See sections 1245 (b) and 1250 (d) for exceptions and limitations involving: (*a*) disposition by gift; (*b*) transfers at death; (*c*) certain tax-free transactions; (*d*) like kind exchanges, involuntary conversions; (*e*) sales or exchanges to effectuate FCC policies and exchanges to comply with S.E.C. orders; (*f*) property distributed by a partnership to a partner; and (*g*) disposition of principal residence (section 1250 only).

Column f of Part II.—In computing depreciation allowed or allowable for elevators or escalators, enter in column f-1 depreciation prior to July 1, 1963, and in column f-2 depreciation after June 30, 1963.

Column i of Part II, section 1250 property only.—If held for more than 6 months, but not more than 1 year, enter the smaller of (1) column h, or (2) column f-2. If held for more than 1 year, enter the result of multiplying the smaller of (1) column h, or (2) column f-2 less the amount of depreciation computed for the same period using the straight line method, by the percentage obtained by subtracting from 100%, one percentage point for each full month the property was held in excess of 20 months. Where substantial improvements have been made within the preceding 10 years, see section 1250 (f).

(Instructions continued on reverse of duplicate)

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ACCOUNT Walter E. Disney NO. 1-32-1903-1

UNITED CALIFORNIA BANK
600 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA 90054

AMENDED RETURN
SCHEDULE OF CAPITAL GAINS AND LOSSES

YEAR 1968

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	AMOUNT REALIZED	COST	FEDERAL RETURN		STATE RETURN	
					SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS	SHORT-TERM GAIN OR LOSS	LONG-TERM GAIN OR LOSS
700 Shares Walter E. Disney Productions	12-15-66	1-2-68	39,351.47	20,415.53		18,935.94		
7100 Shares Walter E. Disney Productions	12-15-66	1-3-68	397,554.08	207,071.78		190,482.30		
1900 Shares Walter E. Disney Productions	12-15-66	1-4-68	106,529.28	55,413.58		51,115.70		
400 Shares Walter E. Disney Productions	12-15-66	1-5-68	22,201.15	11,666.02		10,535.13		
200 Shares Walter E. Disney Productions	12-15-66	1-8-68	11,100.57	5,833.01		5,267.56		
1200 Shares Walter E. Disney Productions	12-15-66	1-30-68	69,175.79	34,998.05		34,177.74		
2200 Shares Walter E. Disney Productions	12-15-66	1-31-68	127,113.71	64,163.09		62,950.62		
1800 Shares Walter E. Disney Productions	12-15-66	2-1-68	104,063.36	52,497.07		51,566.29		
1100 Shares Walter E. Disney Productions	12-15-66	2-7-68	63,500.61	32,031.54		31,419.07		
22,000 Shares Walter E. Disney Productions	12-15-66	5-17-68	1243,190.74	641,530.88		601,559.86		
Account Number: 1-32-1903-3								
-14 Shares Walter E. Disney Productions	12-15-66	2-29-68	8.22	-0-		8.22		
TOTALS			2183,788.98	1125,770.55		1058,018.43		
NET LONG-TERM AND SHORT-TERM GAIN OR LOSS						1058,018.43		
LESS PORTION TAXABLE TO BENEFICIARIES						-0-		
PORTION TAXABLE TO FIDUCIARY (ENTER TOTAL NET GAIN OR LOSS TO APPROPRIATE SCHEDULE)						1058,018.43		
ENTER HERE AND ON PAGE 1 OF TAX RETURNS 50% OF FIDUCIARY'S L/T GAIN LESS S/T LOSS								

TRUST DEPT. (TAX DIV.) D

Civil Minutes—General.

Case No. 73-2828-IH.

Date: Nov. 7, 1974.

Title: United California Bank, et al. vs. U. S. A.

DOCKET ENTRY

PRESENT:

HON. IRVING HILL, Judge; Florence Kato, Deputy Clerk; Don Cram, Court Reporter.

ATTORNEYS PRESENT FOR PLAINTIFFS:
GIBSON, DUNN & CRUTCHER
Marc R. Isaacson
Ronald Gother

ATTORNEYS PRESENT FOR DEFENDANTS:
Mason C. Lewis
Ass't U. S. Attorney

PROCEEDINGS: COURT TRIAL: Oral arguments
Arguments heard.
Court finds Judgment in favor of Plaintiffs.
Plaintiffs' counsel ordered to prepare Judgment and Findings of Fact etc. to be Lodged with the Court by 11/15/74, and any opposing response in writing by 11/20/74.

Findings of Fact and Conclusions of Law.

United States District Court, for the Central District of California.

United California Bank and Lillian Disney Truyens, Co-Executors of the Estate of Walter E. Disney, Plaintiffs, v. United States of America, Defendant. No. 73 2828 IH.

Filed December 2, 1974.

The within action came on for trial upon stipulated facts before the above-entitled Court, the Honorable Irving Hill, United States District Judge presiding, and the parties having appeared by their respective counsel and having submitted written and oral argument, the Court makes the following findings of fact and conclusions of law.

Findings of Fact

1. The Court finds that the facts are as set forth in the Stipulation of Facts and Question of Law and in the Supplemental Stipulation of Facts, on file in this proceeding, and incorporates said facts by reference as though the same were herein set forth in full.

2. All findings of fact set forth under the heading "Conclusions of Law" are incorporated herein by reference as though the same were herein set forth in full.

Conclusions of Law

1. All conclusions of law appearing under the heading "Findings of Fact" are incorporated herein by reference as though the same were herein set forth in full.

2. The Court has jurisdiction over the parties and over the subject matter of this action.

INTENTIONALLY BLANK

3. Venue properly lies in this Court.

4. The case of *Statler Trust v. C.I.R.* (2d Cir., (1966), 361 F.2d 128, involved identical questions of law in the interpretation of Internal Revenue Code § 642(c) and § 1201(b) and substantially similar facts to those presented in the present case. The majority opinion of the Court in *Statler Trust v. C.I.R.* correctly interpreted and applied Internal Revenue Code § 642(c) and § 1201(b). A similar interpretation of the law and its application in the present case entitles Plaintiffs to judgment as a matter of law.

5. Congress has implicitly acquiesced in and confirmed the Second Circuit Court of Appeals' decision in *Statler Trust v. C.I.R.* (2d Cir., 1966), 361 F.2d 128, by its subsequently amending the several statutory provisions construed therein without overruling said construction and without altering the statutory language pertinent to said construction.

6. Any amounts which may be deducted in the computation of the taxable income of an estate or trust under Internal Revenue Code § 642(c) as amounts which pursuant to the terms of the governing instrument are permanently set aside for a charitable purpose or use as described in § 642(c)(2) may be excluded by said estate or trust from "the excess of the net long-term capital gain over the net short-term capital loss" in computing the alternative tax under § 1201(b).

7. Defendant erred in disallowing Plaintiffs' exclusion from the excess of the net long-term capital gain over the net short-term capital loss under § 1201(b) of the 45% thereof which, pursuant to the terms of the decedent's Will, was set aside to the Disney Foundation for a charitable purpose or use.

8. Plaintiffs are entitled to judgment as prayed for in the Complaint as a matter of law.

Dated: December 2, 1974.

/s/ Irving Hill
Irving Hill
United States District Judge

APPROVED AS TO FORM:

WILLIAM D. KELLER
United States Attorney

CHARLES H. MAGNUSON
Assistant United States Attorney
Chief, Tax Division

MASON C. LEWIS
Assistant United States Attorney

/s/ Mason C. Lewis
MASON C. LEWIS
Attorneys for United States of America

Judgment.

United States District Court, for the Central District of California.

United California Bank and Lillian Disney Truyens, Co-Executors of the Estate of Walter E. Disney, Plaintiffs, v. United States of America, Defendant. No. 73 2828 IH.

Filed: December 2, 1974.

The within action having come on for trial upon stipulated facts before the above-entitled Court, the Honorable Irving Hill, United States District Judge presiding, and the Court having found in accordance with the findings of fact and conclusions of law entered in this action that the Plaintiffs are entitled as a matter of law to judgment as prayed for in the Complaint, the Court hereby orders that judgment be entered for the Plaintiffs and against the Defendant, as follows:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that United California Bank and Lillian Disney Truyens, Co-Executors of the Estate of Walter E. Disney, have judgment against the United States of America in the amount of $85,795.20 plus $10.488 for each day from November 22, 1974 to the date of entry of judgment, with interest to accrue on the amount of judgment, from and after the date of entry of judgment, at the rates and for the periods prescribed by law.

DATED: December 2, 1974.

/s/ Irving Hill
Irving Hill
United States District Judge

SUPREME COURT OF THE UNITED STATES

No. 77-1016

United California Bank and Lillian Disney Truyens, Co-Executors of the Estate of Walter E. Disney,

Petitioners,

v.

United States

Order allowing Certiorari. Filed March 20, 1978.

The petition herein for a writ of certiorari to the United States Court of Appeals for the Ninth Circuit is granted.